

Message Text

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ACTION IO-14

INFO OCT-01 EUR-25 ADP-00 ACDA-19 CIAE-00 INR-10 L-03

NSAE-00 NSC-10 RSC-01 SCI-06 SCEM-02 ABF-01 OMB-01

TRSE-00 AF-10 ARA-16 EA-11 NEA-10 RSR-01 /141 W

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P R 200850Z AUG 73
FM USMISSION IAEA VIENNA
TO SECSTATE PRIORITY 3235
INFO AEC GERMANTOWN
AMEMBASSY LONDON PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 IAEA VIENNA 6825

E. O. 11652: N/A
TAGS: AORG AFIN IAEA
SUBJECT: CURRENCY OF PAYMENT OF IAEA ASSESSED CONTRIBUTIONS

REF: A. IAEA VIENNA 6624
B. IAEA VIENNA 6746
C. IAEA VIENNA 6806
D. STATE 163147

LONDON PLEASE PASS AMB. DWIGHT J. PROTER

1. SUMMARY: DDG ADMIN. HALL OPPOSES PRESENTATION OF ALTERNATIVES INCLUDING CHANGE IN CURRENCY OF PAYMENT TO BOARD, AND WILL ATTEMPT SELL DG ON RECOMMENDING ADDITIONAL APPROPRIATION FOR 1974 UPON LATTER'S RETURN TO VIENNA. IN INTERIM, HE WILL ATTEMPT LIMIT CONSULTATIONS AS MUCH AS POSSIBLE. END SUMMARY.

2. ACTING RESERP AND MISOFF CALLED ON DDG ADMIN HALL (US) UPON HIS RETURN TO OFFICE AUGUST 17. HALL BEGAN BY BRIEFING MISOFFS ON CONTENTS OF DG'S MEMO OF INSTRUCTIONS TO HIM PREPARED BEFORE DG LEFT LAST WEEK (REF B). DG CONSULTED WITH FOLLOWING RESREPS IN PERSON: JACKSON OF UK, DE LA ROCHFORDIERE OF FRANCE, UNGERER OF FRG, FUJIYAMA OF JAPAN AND ARKADIEV OF USSR. ALL
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INDICATED THEY PERSONALLY FAVORED CHANGE IN CURRENCY OF PAYMENT

TO REQUIRE 70 PERCENT OF ASSESSMENTS IN SCHILLINGS, BUT ALL STATED THEY WOULD HAVE TO REFER MATTER TO CAPITALS FOR DECISION. DG MEMO ALSO REPORTED CONVERSATION WITH US REF A. UNDER CIRCUMSTANCES, DG REQUESTED THAT ISSUANCE OF PAPER BE DEFERRED UNTIL HIS RETURN TO VIENNA, STATED HIS PERSONAL PREFERENCE FOR PRESENTATION OF TWO ALTERNATIVES WITHOUT RECOMMENDATION, AND REQUESTED HALL AND ENNOR TO CONTINUE FURTHER CONSULTATIONS BEFORE DG'S RETURN ON SEPT. 2.

3. HALL STATED THAT HE HAD FAVORED SUCH A SWITCH FOR LONG TIME, SINCE IT STRUCK HIM AS FAULTY PRACTICE FOR AGENCY TO BE CONSTANTLY IN INTERNATIONAL MONEY MARKET WHEN ITS DEMAND FOR NONDOLLAR CURRENCIES WAS RELATIVELY CONSTANT AND PREDICTABLE FACTOR IN ITS BUDGET. HOWEVER, HE DID NOT RPT NOT FEEL THAT SWITCH TO PAYMENT OF ASSESSMENTS PARTIALLY IN SCHILLINGS WOULD PROVE PANACEA FOR ILLS CAUSED BY CURRENCY FLUCTUATIONS, AND OBJECTED TO PRESENTING IT WITH SUCH IMPLICATION. IN ANY EVENT, HE FULLY APPRECIATED AND AGREED WITH US POSITION THAT EVEN IF SUCH SWITCH SHOULD BE MADE BY AGENCY AT SOME POINT, NOW WAS DEFINITELY NOT RPT NOT PROPER TIME TO DO SO; TIMING WOULD BE MISINTERPRETED BY PUBLIC AND PRESS, WOULD BE PREJUDICIAL TO UNGA DISCUSSION LATER THIS FALL, AND PRESSURE OF EVENTS ON BOARD MEMBERS MIGHT LEAD TO DECISION AGENCY WOULD LATER REGRET BUT COULD NOT CALL BACK. AS REGRES DG'S PREFERENCE TO THROW THIS TO BOARD AS ONE ALTERNATIVE TO FURTHER ADDITION TO APPROPRIATION FOR 1974, HE SAID HE ALWAYS REGARDED IT AS RESPONSIBILITY OF SECRETARIAT TO PROVIDE BOARD WITH RECOMMENDATION, NOT OPTIONS. ESPECIALLY ON HIGHLY CONTENTIOUS ISSUE SUCH AS THIS, HE FELT THAT FOR DG TO GIVE BOARD A CHOICE INSTEAD OF A RECOMMENDATION WOULD INVITE DIVISIVE CONTROVERSY OF SORT THAT EVERYONE IN AGENCY HAD ALWAYS TRIED TO AVOID.

4. ACCORDINGLY, HE WILL BE PREPARED TRY TO SELL DG ON ALTERNATIVE PAPER DRAFTED BY ENNOR (PARA 6 REF B) RECOMMENDING INCREASE IN 1974 APPROPRIATION IN WHATEVER AMOUNT REQUIRED BY UN EXCHANGE RATE PREVAILING IN SEPT. DISCUSSION AT BOARD OF CHANGE IN CURRENCY OF PAYMENT WOULD BE MET WITH RESPONSE THAT WHILE SECRETARIAT HAD STUDIED MATTER, AGENCY WISHED FOLLOW ACC LEAD AND AWAIT RESULTS ACABQ CONSIDERATION AND DISCUSSION AT UNGA IN FALL BEFORE RECOMMENDING ACTION FOR BOARD TO TAKE LIMITED OFFICIAL USE

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WITH RESPECT TO IAEA. HALL SAID HE DID NOT WANT TO GET INTO EXTENDED SESSION WITH DG ON TELEPHONE ON SUCH COMPLEX ISSUE, BUT FELT THAT UNLESS CONSULTATIONS HE IS DIRECTED TO HAVE BEFORE DG'S RETURN SHOW REAL GROUNDS-WELL OF SUPPORT FOR CHANGE IN CURRENCY OF PAYMENT, DG WOULD BE PREPARED TO TAKE ACCOUNT OF US AND HALL OPPOSITION AND BUY RESERVES PAPER FOR BOARD ALONG THESE LINES.

5. WITH REGARD TO AMOUNT OF INCREASE REQUIRED IN APPROPRIATION, HALL NOTED THAT BANK RATE FOR AGENCY PURCHASES IN VIENNA ON THURSDAY HAD REACHED AS 18.35 TO US \$1.00, THAT RATE SEEMED LIKELY TO HIT AS 18.60 OR ABOVE ON FRIDAY, AND THAT IF RATE STAYED ABOVE AS 18.00 FOR REST OF AUGUST, UN COMPTROLLER WOULD HAVE TO RAISE UN RATE (WHICH NOW STANDS AT AS 17.60) AS OF SEPT. 1. IN SUCH EVENT, REQUIRED ADDITIONAL APPROPRIATION INCREASE WOULD BE REDUCED; HALL DID NOT KNOW BY HOW MUCH, BUT WILL HAVE HYPOTHETICAL REQUIREMENTS FOR ASSORTED POSSIBLE EXCHANGE RATE LEVELS CALCULATED AND WILL PASS THESE FIGURES OUT DURING CONSULTATIONS.

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FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC PRIORITY 3236

INFO AEC GERMANTOWN

AMEMBASSY LONDON PRIORITY

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6. IN DISCUSSING LIKELY POSITIONS OF THOSE GOVERNMENTS CONSULTED BY DG, HALL AND MISOFFS AGREED THAT SOVIETS AND FRENCH COULD HARDLY BE EXPECTED DO ANYTHING OTHER THAN SUPPORT CHANGE IN CURRENCY OF PAYMENT, GIVEN REMARKS BY BOTH AT JUNE BOARD. IMPORTANT QUESTION WOULD BE POSITIONS OF UK, FRG, AND JAPAN, AND, TO LESSER EXTENT, CANADA. HALL STATED THAT DURING HIS DISCUSSIONS WITH FRG FINANCE MINISTRY OFFICIALS IN BONN EARLY IN JULY, HE HAD BEEN TOLD THAT FRG OPPOSED ANY MOVE AWAY FROM DOLLAR AS CURRENCY OF ACCOUNT OR ASSESSMENT IN UN SYSTEM. COMMENT: THIS IS AT VARIANCE WITH FRG RESREP UNGERER'S

PERSONAL VIEW REPORTED IN REF C, BUT UNGERER HIMSELF NOTED THAT HIS FINANCE MINISTRY MIGHT DECIDE IN OTHER DIRECTION FOR REASONS RELATING TO UN SYSTEM AS WHOLE. END COMMENT.

7. HALL SUGGESTED THAT IT WOULD BE EXTREMELY USEFUL IF US COULD CONTACT ABOVE MISSIONS IN TIME TO HAVE OUR STRONG VIEWS ON THIS SUBJECT REFLECTED IN CONSIDERATION OF QUESTION IN CAPITALS. MISOFFS TOLD HALL WE HAD SPOKEN TO FRG AT THEIR REQUEST, AND WOULD SPEAK TO UK AND JAPANESE MISSIONS. HALL FURTHER STATED THAT HE WOULD INTERPRET DG'S INSTRUCTION TO CONSULT FURTHER AS CALLING FOR FURTHER CONSULTATION WITH MISSIONS DG HAD ALREADY LIMITED OFFICIAL USE

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SPOKEN WITH, TO ELICIT THEIR GOVERNMENT'S VIEWS, RATHER THAN BEGINNING WIDER SERIES OF CONSULTATIONS WITH OTHER MISSIONS AT THIS TIME. IN THESE FURTHER CONSULTATIONS, HALL INDICATED THAT HE WOULD MAKE HIS PERSONAL DISTASTE FOR CHANGE IN CURRENCY OF PAYMENT AT THIS TIME KNOWN TO THEM.

8. SUBSEQUENT TO CONVERSATION WITH HALL, CANADIAN MISOFF TELEPHONED TO SAY THAT HE HAD RECEIVED HIS INSTRUCTIONS ON MATTER, AND THAT GOC'S PRELIMINARY OPINION WAS IDENTICAL TO THAT OF US; I.E., IT QUESTIONED WHETHER MEASURE WAS APPROPRIATE AT ALL, AND SPECIFICALLY FELT THAT TIMING OF DISCUSSION IN VIEW OF UPCOMING UNGA SESSION, WOULD BE VERY BAD. WHILE FURTHER GOC INSTRUCTION TO DISCOURAGE AGENCY FROM PURSUING CONSULTATIONS IS OVERTAKEN BY EVENTS, CANADIAN MISOFF AGREED TO REQUEST IMMEDIATE MEETING WITH HALL ON MONDAY MORNING TO INFORM HIM OF THESE VIEWS, AND SAID THAT ONCE THIS DONE HE HAD NO OBJECTION TO OTHER MISSIONS BEING APPRISED OF THEM.

9.COMMENT: IT APPEARS TO MISSION THAT CRUCIAL MATTER NOW IS WHAT UK, FRG AND JAPANESE GOVERNMENTS WILL INSTRUCT THEIR MISSIONS TO DO. IT OUR FEELING THAT IF ANY ONE OF THESE COMES DOWN CLEARLY AND UNEQUIVOCALLY FOR CHANGE IN CURRENCY OF PAYMENT, HALL WILL HAVE HIS WORK CUT OUT FOR HIM TO CONVINCE DG NOT TO AT LEAST PUT THIS ALTERNATIVE BEFORE BOARD. IF TWO OR MORE COME DOWN THIS WAY, DG WILL PROBABLY HAVE HIS WAY AND BOTH ALTERNATIVES WILL BE PRESENTED TO BOARD WITHOUT RECOMMENDATION IN SPITE US AND HALL'S OPPOSITION TO THIS COURSE.

10. FURTHER ALONG, IT IS MISSION'S FEELING THAT CHARACTER OF PAPER ISSUED BY DG WILL PROBABLY SUBSTANTIALLY SETTLE QUESTION. WE DOUBT THAT FRENCH AND SOVIETS WOULD PROPOSE CHANGE IN CURRENCY OF PAYMENT ON THEIR OWN IF DG DID NOT, BUT IF DG GAVE BOARD OPEN CHOICE, THEY WOULD PROBABLY BE ACTIVE IN SOLICITING SUPPORT FOR IT. SAME PROBABLY HOLDS TRUE FOR LDC'S (WHO MIGHT ALSO TAKE CHANCE AT FISHING TROUBLED WATERS OF MESSY DISCUSSION TO TRY TO REOPEN TARGET AND/OR TA FINANCING QUESTIONS AGAIN), AND FOR OTHER DEVELOPED COUNTRIES ON BOARD AS WELL.

11. MISSION WILL MEET WITH JAPANESE AND UK MISSIONS AT
EARLIEST POSSIBLE TIME TO CONVEY OUR OPPOSITION TO ANY MAJOR
BOARD DISCUSSION OF CHANGE IN CURRENCY OF PAYMENT THIS SEPT,
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AND OUR STRONG FEELING THAT DG SHOULD RECOMMEND WHATEVER INCREASE
IS REQUIRED IN APPROPRIATION AND THAT ONLY RPT ONLY.
SUGGEST THAT IF OPPORTUNITY ARISES, AMB. PORTER MIGHT USEFULLY
MAKE SAME POINTS DURING CONSULTATIONS IN LONDON EARLY THIS WEEK.
FINALLY, MISSION NOTES PARA 13 OF REF D, WHICH REQUESTED US
DIPLOMATIC MISSIONS TO DISCOURAGE ANY CONSIDERATION BEING
GIVEN THIS ALTERNATIVE WITH REGARD TOUNGA THIS YEAR, AND SUGGEST
DEPT CONSIDER REQUESTING EMBASSIES BONN AND TOKYO TO MAKE SAME
POINT IN CAPITALS WITH REGARD TO IAEA BOARD MEETING THIS
SEPT. END COMMENT. LABOWITZ

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